



## Thrift Savings Plan Update

- ◆ Contribution rules
- ◆ Eligibility rules
- ◆ TSP investment operations
- ◆ TSP loan program
- ◆ TSP withdrawal program
- ◆ TSP death benefit payments
- ◆ USERRA corrections
- ◆ Summary

## Contribution Rules

Tax benefits  
Basic pay  
Non-pay  
Employee contributions  
Agency contributions  
Contribution limits  
Transfers and rollovers

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## Basic Pay for TSP Purposes

### Statutory Reference:

- ♦ 5 USC § 8331(3)
- ♦ Definition same as basic pay for civilian retirement purposes

### Does not include:

- ♦ Regular overtime pay
- ♦ Bonuses
- ♦ Allowances
- ♦ Severance pay
- ♦ Lump-sum payments for accrued and accumulated leave
- ♦ Voluntary separation incentive payments (VSIPS)
- ♦ OWCP benefits

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## Effect of Nonpay Status on TSP Participation

- ♦ Nonpay status during a pay period will affect the amount of employee and agency contributions deposited into the TSP
- ♦ Participants in a nonpay status may still make open season elections through the agency, and contribution allocation and interfund transfer requests in their TSP account
- ♦ When a participant returns to duty from period of non-pay, there is no provision to make-up contributions missed unless the LWOP is associated with:
  - Military service
  - Assignment to an international organization

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## Effect of Nonpay Status on TSP Participation

- ♦ Loan payments must be suspended for up to one-year for regular LWOP and as long as the period of service for LWOP due to active military duty. The agency must submit Form TSP-41 to inform TSP of the LWOP. The agency must submit Form TSP-41 to inform the TSP the employee has returned to duty (New!)
- ♦ Participants on LWOP that are assigned to a state or local government under the IPA or serving as full-time union officials will continue to contribute to the TSP through internal agreements with their Federal agency
- ♦ TSP Bulletins 02-06, provides guidance to agencies on nonpay status procedures including the revised Form TSP-41

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## TSP Contribution Rules FERS

- ◆ Employee Contributions
  - Eligible during first 60 days of hire/rehire
  - 12% maximum beginning in 2002 with 1% increases effective December of each year through 2005
  - After 2005, any dollar amount or percentage up to IRS limits
  - Always vested

### **When eligible for agency contributions:**

- ◆ Agency Automatic (1%) Contributions
  - Not based on Employee Contributions
  - Subject to vesting
- ◆ Agency Matching Contributions
  - Based on first 5% of Employee Contributions
  - 4% maximum
    - \$1/\$1 for 1st 3%
    - 50¢/\$1 for next 2%
  - Always vested

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## TSP Contribution Rules CSRS

- ◆ Employee Contributions
  - Eligible during first 60 days of rehire to contribute
  - 7% maximum beginning in 2002 with 1% increases effective December of each year through 2005
  - After 2005, any percentage up to I.R.C elective deferral limit
  - Always vested
- ◆ No Agency Contributions

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## New TSP Basic Pay Contribution Limits

Month Year	FERS Limit	CSRS and Uniformed	
		Services Limit	IRS Limit
July 2001	11%	6%	\$10,500
Jan 2002	12%	7%	\$11,000
Dec 2002	13%	8%	\$11,000
Dec 2003	14%	9%	\$12,000
Dec 2004	15%	10%	\$13,000
Dec 2005	limits lifted entirely		\$14,000
Jan 2006			\$15,000
Jan 2007			indexed to inflation

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## TSP Transfers and Rollovers

- ♦ Active or separated participants may transfer or rollover into the TSP money from:
  - Eligible employer plans under the I.R.C.
    - e.g. 401(k), 403(a), 403(b) or 457(b) governmental plans
  - Traditional individual retirement accounts or annuities (IRAs) under section 408(a) or 408(b) of the I.R.C.
    - does not include Roth, SIMPLE or education IRAs
- ♦ Participant submits Form TSP-60 available from the TSP Web site. Participant certifies the amount transferred or rolled over includes tax-deductible/deferred amounts
- ♦ The amount transferred or rolled over into the TSP account is allocated according to the current contribution allocation on file
- ♦ The amount will be reflected as employee contributions in the account after it has been valued by the TSP

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## Eligibility Rules

Election opportunities  
TSP open seasons

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## Contribution Election Opportunities

- ◆ Upon appointment to a covered position
- ◆ Upon transfer to FERS
- ◆ TSP open season
- ◆ May stop at any time
- ◆ TSP Bulletin 01-4 provides information and notices regarding election opportunities

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## New TSP Open Seasons

April 15 – May 31	<b>June 1-30</b>
October 15 – November 30	<b>December 1-31</b>

Enrollment Period

**Election  
Period**

Elections, changes and increases take effect in the election period

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## TSP Investment Operations

TSP investment funds

Daily valuation

Buying and selling TSP shares

Contribution allocation vs. interfund  
transfers

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## G Fund

- ♦ Invested in nonmarketable U.S. Treasury Securities with 1 to 4 day maturities
- ♦ Rate is set once a month by the Treasury Department
- ♦ Rate based on closing market prices of all Treasury securities with 4 or more years to maturity
- ♦ No risk of loss (negative returns) in G Fund
- ♦ Managed in-house by the Board

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## F Fund

- ♦ Tracks the Lehman Brothers U.S. Aggregate (LBA) bond index fund
- ♦ LBA index represents sectors of the U.S. bond markets
  - U.S. Government: U.S. Treasury and Agencies
  - Corporate
  - Mortgage-backed securities
  - Foreign Government
- ♦ Managed by Barclays Global Investors and invested in Barclays U.S. Debt index fund

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## C FUND

- ♦ Replicates the Standard & Poor's (S&P) 500 index
- ♦ S&P 500 index contains common stocks of 500 companies that represent the U.S. stock markets
- ♦ The total dollar value of the stocks of the 500 companies in the S&P 500 makes up approximately 77% of the value of the U.S. stock markets
- ♦ Managed by Barclays Global Investors and invested in Barclays Equity index fund

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## S Fund

- ♦ Tracks the performance of the Wilshire 4500 index
- ♦ Includes all common stocks (except those in the S&P 500 index) actively traded in the U.S. stock markets on a daily basis
- ♦ The total dollar value of the stocks of the companies in the Wilshire 4500 makes up approximately 22% of the value of the U.S. stock markets
- ♦ Managed by Barclays Global Investors and invested in Barclays Extended Market index fund

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# I FUND

- ♦ Replicates Morgan Stanley's Europe, Australasia, and Far East (EAFE) index
- ♦ EAFE contains stocks that cover approximately 60% of the stock markets of the 21 countries included in the index
- ♦ The I Fund exposes participant to currency risk
- ♦ Managed by Barclays Global Investors and invested in Barclays EAFE index fund

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# Daily Valuation

- ♦ The new TSP system will be daily valued and share based
- ♦ Share prices for each fund will be updated each business day
- ♦ Accounts will be valued at the end of each business day using the daily share prices for the applicable investment fund(s)

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## Daily Valuation

- ♦ Cutoff times for transaction requests (e.g. contribution allocation, interfund transfer, loans and withdrawals) will be 11:00 am central time
- ♦ Transaction requests that are completed by the cutoff will ordinarily be effective as of close of business that day. Requests completed after the cutoff time are ordinarily effective at the end of the following business day
- ♦ The number of shares in each fund must be valued before transactions take effect
- ♦ When processed, transactions will involve the purchase and/or sale of shares

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## Conversion from Dollars to Shares

- ♦ G, F, C, S and I Fund balances will be converted to shares at a price of \$10 per share
- ♦ To convert dollars to shares, the TSP will divide the dollar balance of the applicable investment fund by the \$10 share price for the fund
- ♦ Number of shares will be maintained and reported to the participant to 4 decimal places
- ♦ Share prices will be maintained to 2 decimal places

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## Example of Converting Dollars to Shares:

### G Fund

G Fund Dollars/G Fund Share Price =  
# of G Fund Shares

<u>\$ Balance</u>	<u>Share Price</u>
\$1,236.75	\$10.00

$\$1,236.75/\$10 = 123.6750$   
G Fund Shares

### F Fund

F Fund Dollars/F Fund Share Price =  
# of F Fund Shares

<u>\$ Balance</u>	<u>Share Price</u>
\$1,980.23	\$10.00

$\$1,980.23/\$10 = 198.0230$   
F Fund Shares

### C Fund

C Fund Dollars/C Fund Share Price =  
# of C Fund Shares

<u>\$ Balance</u>	<u>Share Price</u>
\$2,131,724.68	\$10.00

$\$2,131,724.68/\$10 = 213,172.4680$   
C Fund Shares

### S Fund

S Fund Dollars/S Fund Share Price =  
# of S Fund Shares

<u>\$ Balance</u>	<u>Share Price</u>
\$53,894.37	\$10.00

$\$53,894.37/\$10 = 5,389.4370$   
S Fund Shares

### I Fund

I Fund Dollars/I Fund Share Price =  
# of I Fund Shares

<u>\$ Balance</u>	<u>Share Price</u>
\$61,345.92	\$10.00

$\$61,345.92/\$10 = 6,134.5920$   
I Fund Shares

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## Buying and Selling TSP Shares

- ♦ Contributions, loan payments and transfers/rollovers into the TSP purchase shares in each fund based on the participant's current contribution allocation
- ♦ Withdrawals and loans sell shares from the participant's account
- ♦ Interfund transfers sell shares of the fund(s) from which the money is removed and purchase shares of the fund(s) that the money is moving into
- ♦ Shares are bought and sold at the closing share prices on the day the transaction (e.g., loans, withdrawals, interfund transfer) is effective

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## Buying and Selling TSP Shares

- ♦ When a participant deposits contributions, loan payments or a transfer/rollover, the TSP will invest the amount according to the current contribution allocation on file
- ♦ The TSP will determine the dollar amount, by source of contribution, to invest in each fund, then purchase shares of the fund based on the share price determined as the close of each business day
- ♦ Information reflecting the completed transaction will be available to the participant to view on the TSP web site the next business day

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## Buying and Selling TSP Shares

- ♦ For loans, in-service, and partial withdrawals, the TSP system will sell shares of each fund the participant is invested in (proportionate to the balance and based on the share price as of close of business) to derive the dollar value to disburse from the account
- ♦ For interfund transfers, the TSP system will determine the number of shares that each investment fund should have (by source), and then buy or sell the appropriate number of shares for each investment fund, to attain the appropriate number of shares and balance in each fund

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## Contribution Allocation or Interfund Transfer?

When participants want to “change” their investments, make sure they make the correct investment election!

### **Contribution Allocation**

- Allocates future contributions and loan payments until superseded by new allocation election
- ThriftLine, Web site or telephone request with TSP
- Column 1 of Form TSP-50
- Change in allocation is effective as of close of business based on 11 am cutoff

### **IFT**

- One-time transaction; account balance remains as invested until participant makes another interfund transfer
- ThriftLine, Web site or telephone request with TSP
- Column 2 of Form TSP-50
- Change in account balance distribution is effective close of business each day based on 11 am cutoff

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## TSP Loan Program

Loan terms  
Application process  
Disbursement of a loan  
Information provided to the agency  
Repaying the loan  
Missing or insufficient payments  
Taxable distributions

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## Terms

- ♦ Minimum Term: 1 year
- ♦ Maximum Term
  - General purpose = 5 years (new!)
  - Residential loan = 15 years
- ♦ Residential loan must be repaid by the 15th anniversary from disbursement

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## Applying for a Loan

- ♦ Application can still be submitted using Form TSP-20
- ♦ Application can also be initiated by using the TSP Web site
  - A fillable version of the Form TSP-20 will be displayed for the participant to complete
  - The loan agreement will generate and can be displayed to be completed on line, printed and returned to the TSP record keeper for processing. Some participants will be able to complete the entire process on the web

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## Applying for a Loan

- ♦ Unmarried participants requesting a general purpose loan can complete and submit forms on the web site. The general purpose loan is processed once the loan agreement is confirmed by the TSP system
- ♦ Married FERS participants must print their loan agreement form from the web site, obtain spouse's consent, and return the agreement to the TSP record keeper
- ♦ Residential loans also require printing the loan agreement and Form TSP-21-Doc, which is completed and returned with residential documentation to the TSP record keeper
- ♦ Spousal notification will be sent to the spouse of married CSRS participants applying for a TSP loan within two days of the submission of the loan application. The loan will not disburse earlier than 2 business days from submission of the loan agreement (and documentation for residential loans)

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## Disbursement of a TSP Loan

- ♦ Payment made by check
  - Based on the address of record on file
  - Address printed on the loan agreement may differ from address the participant provided on the loan application
- ♦ Payment via EFT
  - Can request EFT by providing routing information on loan agreement

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# Reporting the Loan to Payroll

- ♦ Payroll offices will no longer receive individual loan allotment forms
- ♦ An electronic file or report of loans disbursed will be provided to the payroll office for processing loan payments
- ♦ The report will also include information on stopping, restarting and changing loan payment amounts
- ♦ New loans will be assigned a 6-digit-1-character identifier that will reflect the month of the loan request, year of request, the sequential number of loans the participant has had and the type of loan (e.g. G or R)

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# Repaying the Loan

- ♦ Payroll deduction based on the schedule of loan payments
- ♦ Participants may send a check to make loan payments in addition to payroll deduction
  - Personal checks, money orders or a cashier's check are accepted
  - All forms of payment submitted by the participant are subject to a five day hold before the TSP posts the payment in the account
- ♦ Daily interest is calculated as each payment is posted and is based on the number of days since the last loan payment was made multiplied by the outstanding loan balance
- ♦ Multiple voluntary reamortizations
  - Participant may reamortize on TSP Web site
  - Participant may contact TSP record keeper and request via telephone
  - The new loan payment amount is provided to the payroll office on its loan report

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## Loan Defaults Due to Missed or Incorrect Payments

- ♦ Internal Revenue Code (IRC) has always required participants make scheduled loan payments
- ♦ Under new IRC regulations, participants must submit payments to cover payments missed in their payment schedule
- ♦ The TSP will monitor the schedule of payments and determine at the end of each quarter of the calendar year if the participant has paid the scheduled amount of the outstanding loan through the end of each quarter
- ♦ If the participant has missed or made an insufficient payment(s) and the missed amount is greater than the amount of one scheduled payment, the participant is required “cure” the loan by submitting the missing amount

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## Loan Defaults Due to Missed or Incorrect Payments

- ♦ When a scheduled payment is not received, or an insufficient amount is submitted by the agency, the participant will receive a notice warning of the possible default
- ♦ At the end of each quarter of the calendar year (i.e. March, July, September and December), a participant identified as in default will receive a loan default notice
- ♦ To “cure” the loan, the participant must submit a check for the amount by the date stated on the notice (end of the following quarter)
- ♦ If the participant is in default and does not submit a check, the TSP must declare the outstanding balance of the loan a taxable distribution
- ♦ A current loan payment from payroll will not make up the missing amount or cure the loan
- ♦ Once the loan is identified as in default the participant is prohibited from requesting a reamortization of their loan until the default is “cured”

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## Missed or Incorrect Payments Due to Nonpay Status

- ♦ IRS regulations require the TSP suspend loan payments for participants who are in nonpay status
- ♦ The agency must submit Form TSP-41, to reflect the participant is in nonpay status to allow TSP to suspend the loan payments
- ♦ When a participant returns to duty, the agency must submit another Form TSP-41 to reflect the return date
  - The loan must be repaid within the applicable maximum terms (5 or 15 years)
  - The TSP will reamortize the loan to determine if the loan payment amount will change
  - If the amount must change, the new payment amount is provided to the agency in its loan report and a notice is sent to the participant

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## Missed or Incorrect Payments Due to Nonpay Status

- ♦ If the participant is in nonpay status for any reason other than active military service, one year is the maximum period the TSP may suspend loan payments
  - After one year of nonpay the participant must continue to make loan payments (via personal check)
  - The TSP will reamortize the loan to determine if the loan payment amount will change
  - If the amount must change, the new payment amount is provided to the agency in its loan report and a notice is sent to the participant
  - If payments are not made and the loan is in default, it will be declared a taxable distribution if it is not "cured" by the end of the applicable quarter

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## Missed or Incorrect Payments Due to Nonpay Status

- ♦ The IRS provided a notice in October 2001 requiring plans suspend loan payments for the duration of the period the participant is in nonpay status to perform military service
- ♦ The notice also allows participants who reach the maximum period to repay a loan while in nonpay status to extend the repayment loan period based on the length of nonpay
- ♦ Form TSP-41 must be submitted to reflect the nonpay status of the participant and to indicate the nonpay is due to performance of military service
- ♦ The participant may contact the TSP to request the interest accrual on the outstanding loan balance be reduced to 6% for the period of military service under the Soldiers' and Sailors' Civil Relief Act

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## Missed or Incorrect Payments Due to Nonpay Status

- ♦ When a participant returns to duty, the agency must submit another Form TSP-41 to reflect the return date
  - The loan repayment terms may be extended beyond the maximum (5 or 15 years) if exceeded during the period of military service
  - The TSP will reamortize the loan to determine if the loan payment amount will change
    - If the participant invoked the Soldiers' and Sailors' Civil Relief Act and requested the interest payment be reduced to 6%, the TSP will calculate the 6% accrual of interest on the outstanding balance when reamortizing the loan
  - If the amount must change, the new loan payment amount is provided to the agency in its loan report and a notice is sent to the participant

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# Taxable Distributions

- ♦ Chapter 13 bankruptcy
  - Agency payroll will follow instructions of the court order and stop deducting loan payments from the participant's pay
  - The TSP system will still generate missing payment notices with a note regarding nonpayment due to a chapter 13 bankruptcy order
  - The loan will go into default and declared a taxable distribution at the end of the applicable quarter
- ♦ Default
  - Effective at the end of the applicable quarter
- ♦ Leaving federal service
  - Effective after 90 days from receipt of separation information
  - Participant will still have 90 days to prepay the outstanding loan
  - A partial payment(s) may be submitted and the distribution will be declared on the remaining outstanding balance
- ♦ Death in service
  - Effective as of date of death or last loan payment
- ♦ Board Determination
  - The Thrift Investment Board will determine taxable distribution date

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## TSP Withdrawal Program

In-service withdrawals

Post-separation withdrawals

Leaving money in the TSP

Automatic cashout

Partial payment

Full withdrawal

Mixed withdrawal

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## In-Service Withdrawals

- ♦ Age-based (for those age 59 ½ or older)
  - Form TSP-75 will include application and transfer information
  - Can request payment made via EFT
- ♦ Financial Hardship
  - Form TSP-76 and process remains unchanged
  - Can request payment made via EFT
- ♦ Notarized spousal consent required for married FERS participants
- ♦ Married CSRS participants subject to spouse notification and two-day hold from when application is processed by the TSP
- ♦ Fillable form for in-service withdrawals available on the TSP Web site

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## Post-Separation Withdrawal Options

- ♦ Automatic cashout
- ♦ Leaving money in the TSP
- ♦ Partial payment
- ♦ Full withdrawal
  - Single payment
  - Series of monthly payments
  - Life annuity
- ♦ Mixed withdrawal

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## Automatic Cashout

- ♦ Separated participants with a vested account balance of less than \$200 will receive an automatic cashout\*
- ♦ No notification prior to disbursement; the account will be paid automatically after the participant is separated for more than 31 days
- ♦ Participant may not elect to leave the balance in the TSP
- ♦ Amount not subject to the mandatory 20% Federal tax-withholding

\* Account balances of \$4.99 or less will be forfeited to the TSP. Participant may request restoration and payment of the balance

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## Leaving Money in the TSP

- ♦ Option available to participants with balances of \$200 or more
- ♦ Balance continues to accrue earnings
- ♦ Participant may request to make both interfund transfers and contribution allocations
- ♦ Participant may transfer or rollover amounts from IRAs or other eligible employer plans
- ♦ Full withdrawal request must begin no later than April 1<sup>st</sup> of the year after turning age 70½

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## Partial Payment

- ♦ One-time request for “life” of the account
  - Participant must not have received an age-based withdrawal
  - Participant must not have received a partial withdrawal from a prior period of employment
- ♦ Minimum amount that can be withdrawn is \$1,000\*
- ♦ Single payment only
- ♦ Participant may request payment by EFT
- ♦ Participant may request a transfer of all or a portion of the partial payment to an IRA or other eligible plan

\* If the vested account balance is less than \$1,000, the participant must submit a request for a full withdrawal.

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## Partial Payment

- ♦ Submission and processing of Form TSP-77 may be made on the TSP Web site
- ♦ Two-day spousal notification rule applies for married CSRS participants before partial withdrawal is disbursed
- ♦ Married FERS participants who apply on the web site must print the application, obtain notarized spouse's signature, and return it to the TSP record keeper for processing
- ♦ Participants who request a transfer of the partial payment must print the application, obtain information regarding the plan and return it to the TSP record keeper for processing

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## Post-Separation Full and Mixed Withdrawals

- ♦ Participant may select a full withdrawal by receiving a single payment, series of monthly payments, or purchase of a life annuity
- ♦ Participant may select a mixed withdrawal by using any combination of the above three full withdrawal options
- ♦ A request for a post-separation full or mixed withdrawal submission and processing can be made using fillable Form TSP-70 on the TSP Web site
- ♦ Participant indicates on the form what percentage of the balance will apply to the option(s) selected

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## Post-Separation Full and Mixed Withdrawals

- ♦ All annuity options and features previously completed on Forms TSP-11A, B, and C are included as part of the withdrawal application package
- ♦ Two-day spousal notification rule applies for married CSRS participants before withdrawal is disbursed
- ♦ Married FERS participants who apply on the web site must print the form, obtain notarized spouse's signature (waiving right to a TSP annuity) and return to the TSP record keeper for processing

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## Single Payment Option

- ♦ Participant may request single payment of entire account balance
- ♦ When using the mixed withdrawal option participant may request any percentage of the account balance to be made in a single payment
- ♦ Single payment is subject to 20% tax withholding
- ♦ Participant may request a transfer of all or any percentage of the single payment to an IRA or other eligible plan
- ♦ Participant may request payment by EFT

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## Monthly Payments

- ♦ Participant may specify a dollar amount
  - If payments are expected to last less than 10 years:
    - Payments are subject to mandatory 20% Federal tax withholding
    - Participant may request all or a portion of the payments be transferred to a traditional IRA or other eligible employer plan
  - Payments expected to last 10 or more years are subject to ordinary tax withholding; cannot transfer payment
- ♦ Participant may request the TSP “compute my payment”
  - Pays lifetime payments based on IRS uniform table
  - Payment amount is recalculated each year
  - Payments subject to ordinary income tax withholding; cannot transfer payment
- ♦ Participant may request EFT of monthly payments
- ♦ Participant may request a final single payment after a series of monthly payments

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## Monthly Payments

- ♦ Participant may complete Form TSP-73 to request a change in monthly payments from:
  - Compute my payment to dollar amount
  - Current dollar amount to new dollar amount
  - TSP will have an election period cutoff date each year to submit Form TSP-73 to request a change
  - Change in monthly payments are effective in January of the following year
  - Form TSP-73 may be submitted anytime to change EFT or transfer information
- ♦ Tax withholding rules will be determined when the monthly payment option is elected and in January of the following year if a change in monthly payments becomes effective

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## TSP Death Benefits

Determining beneficiaries  
Payment method

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# TSP Death Benefits

## ♦ Based on:

- Form TSP-3, Designation of Beneficiary Form
  - Maintained at the TSP record keeper
- Statutory order of precedence
  - Spouse
  - Children (including natural and adopted children)
  - Parents (one check for each parent)
  - Estate (based on state estate laws)
  - Next of kin (based on state next of kin laws)

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# TSP Death Benefits

## ♦ Payment Method:

- Payment to Spouse
  - Single payment
    - Subject to 20% mandatory tax-withholding
  - Option to transfer all or a portion of the payment to:
    - An IRA
    - Employer eligible plan (e.g. 401(k), 403(a) plan)
    - His/her TSP account
    - Amount transferred remains tax deferred
- Payment to beneficiary other than spouse
  - Single payment to beneficiary
  - Payment can/will be made to minor children
  - Tax withholding 10% but can be waived
  - Ordinary income earned for beneficiary

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## USERRA Corrections

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## Corrections under USERRA

- ♦ Participants placed on active duty who exercise restoration rights under the Uniformed Services Employment and Reemployment Rights Act (USERRA) are eligible to receive and make up TSP contributions
  - Make up contributions cover period of nonpay or separation from civilian service to perform military service
  - When determining make-up contributions, agencies will need to distinguish periods of nonpay or separation prior to January 2002 and since January 2002 (when the uniformed services were eligible to participate in the TSP)
  - Source: TSP Bulletin 02-7, dated April 3, 2002

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## Corrections under USERRA

- ♦ Agency must deposit agency automatic (1%) contributions the participant would have become eligible for during the period of nonpay or separation
  - Contribution is based on basic pay the participant would have earned
  - Participant is entitled to payment of lost earnings

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## Corrections under USERRA

- ♦ Participant has 60 days upon return to duty to make a claim to make up employee contributions missed
- ♦ Dollar amounts contributed while on active duty will offset amount that can be made up
  - Agency will consider amount that could have been contributed minus the total amount already contributed for the period of separation or nonpay
  - Total amount may not exceed the IRS limit in effect the year it would have been made

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## Corrections under USERRA

- ♦ For period of nonpay or separation before January 2002, the agency will deposit matching contributions based on the amount the employee makes up
- ♦ For periods of nonpay or separation after December 2001, the agency must deposit agency matching contributions based on the amount employee contributed to uniformed services account from military basic pay. Amounts contributed from other sources of military pay will not be used to determine agency matching contribution
  - Participant entitled to payment of lost earnings on the retroactive agency contributions

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## Corrections under USERRA

Example: FERS employee in nonpay status to perform active duty for 9 months in 2002

Employee's civilian basic pay for period of nonpay is \$24,320 (\$1,280 bi-weekly)

12% of civilian basic pay for 9 months: \$2,918.40

5% of civilian basic pay for 9 months is \$1,216.00

4% agency matching contribution for 9 months is \$972.80

1% agency automatic contributions for 9 months is: \$243.20

While on active duty the participant contributed \$2,205.00 from military basic pay for the 9 month period of nonpay. Participant also elected to contribute from special pay earned, approximately \$450 for this period

Assuming the participant was eligible for agency contributions the agency must deposit, by pay date, the \$243.20 in the account.

To determine what percentage of civilian basic pay the contributions made while on active duty equals:

$(\$2,205.00 \div \$24,320.00) \times 100 = 9.07\%$  of civilian basic pay.

Since the amount contributed from military basic pay is at least 5% of civilian basic pay, the employee is entitled to the full 4% in agency matching contributions

To determine the amount of employee contributions the participant can make up:

$\$2,918.40 - (\$2,205.00 + \$450.00) = \$263.40$  amount that the participant can make up upon return

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# Lost Earnings under USERRA

- ♦ Lost earnings are paid on agency automatic and matching contributions\*
  - ♦ Lost earnings are based the employee electing either:
    - The contribution allocation on file during the period of make up contributions
    - The G Fund rate of return (submitted with a TSP-2-G journal voucher)
- \* Agency payroll offices must report retroactive agency contributions on separate payment records with the applicable retroactive pay date identified for each contribution amount. Lost earnings cannot be correctly calculated without submitting separate payment record identified by pay date

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## TSP Update Summary

Review  
Final questions  
Resources

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## Resources for Agency Representatives

- ♦ TSP bulletins
- ♦ Memoranda to agency representatives
- ♦ Quality control reports
- ♦ TSP Web site -- check announcements periodically
- ♦ TSP Training